

Message Text

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ACTION EB-08

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ROME FOR RCAA

E.O. 11652: N/A
TAGS: EAIR, EG
SUBJECT: WIDE-BODIED AIRCRAFT SALE AND EX-IM BANK
- FINANCING.

REF: (A) ROME 11107, (B) CAIRO 15230

1. SUMMARY: MCDONNELL-DOUGLAS REPS. CALL ON AMBASSADOR
TO EXPRESS CONTINUING INTEREST IN WIDE-BODIED AIRCRAFT
SALE TO EGYPTAIR. EX-IM BANK APPEARS LIKELY OFFER FINAN-
CING COMMITMENT ONLY IF THIRD PARTY GUARANTEE PROVIDED
--A CONDITION EGYPTIANS DO NOT SEEM READY ACCEPT. END
SUMMARY.

2. MCDONNELL-DOUGLAS (M-D) LOCAL REP. HELMUT LERIDER AND
REGIONAL MANGER FRANK KELLEHER CALLED ON AMBASSADOR JUNE
22 TO DISCUSS PLANNED PURCHASE BY EGYPTAIR OF WIDE-BODIED
AIRCRAFT. M-D REPS EMPHASIZED THAT FINANCING WOULD BE
MAJOR ELEMENT IN EGYPTAIR BUYING DECISION. COMPANY OFFI-
CIALS SAID EUROPEANS WOULD PROBABLY OFFER BETTER FINANCING
FOR AIRBUS INDUSTRIE A-300 THAN AMERICANS ARE LIKELY BE
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ABLE PROVIDE, BUT IT IS ESSENTIAL FOR US FIRMS TO PRESENT
BEST POSSIBLE FINANCING PACKAGE IF THEY ARE TO HAVE CHANCE
OF SUCCEEDING.

3. RECALLING RECENT VISIT TO U.S. OF EGYPTAIR V.P.
ZIMAITY (REF A), M-D REPS INDICATED THEY HAD URGED HIM
CALL AT EX-IM BANK AND HAD EVEN HELPED DRAFT LETTER FROM

EGYPTAIR TO BANK SEEKING FINANCING COMMITMENT. M-D REPS NOTED, HOWEVER, THAT (AS INDICATED REF A) ZIMAITY APPEARED DISINCLINED AGREE TO EX-IM BANK REQUIREMENT THAT EGYPTIANS, IN ORDER OBTAIN LOAN, WOULD HAVE TO PROVIDE THIRD-PARTY GUARANTEE OF REPAYMENT. (THEY WERE CAUTIOUSLY OPTIMISTIC, HOWEVER, ABOUT CHANCES OF OBTAINING SUCH A GUARANTEE IF GOE WOULD AUTHORIZE EGYPTAIR TO SEEK IT). AMBASSADOR POINTED OUT THAT GUARANTEE WAS A SENSITIVE ISSUE NOT ONLY BECAUSE GOE DISLIKED IDEA THAT ITS CREDIT WAS BEING CALLED INTO QUESTION, BUT ALSO BECAUSE OF FEAR THAT GUARANTEE, IF PROVIDED BY ONE OF ARAB DONOR STATES, WOULD BE COUNTED AGAINST, AND WOULD THEREFORE REDUCE, AMOUNT OF DIRECT FINANCIAL ASSISTANCE THAT EGYPT MIGHT OTHERWISE BE ABLE TO OBTAIN FROM THESE SOURCES.

4. AMBASSADOR SAID HE FULLY RECOGNIZES IMPORTANCE OF SALE AND WISHES GIVE ALL APPROPRIATE SUPPORT TO EFFORTS BY U.S. FIRMS TO SUCCEED WITH EGYPTAIR. EMBASSY, AMBASSADOR NOTED, HAS BEEN IN CONSTANT TOUCH WITH DEPARTMENT AND WITH EX-IM BANK ABOUT MATTER. EX-IM, HOWEVER, IS RELUCTANT TO INCREASE ITS EXPOSURE HERE WITHOUT OUTSIDE GUARANTEE OF REPAYMENT, AND EGYPTIANS DO NOT NOW APPEAR READY TO MEET THIS CONDITION.

5. ON ANOTHER SUBJECT, M-D REPS. SAID THEY HAD HEARD RUMORS THAT CERTAIN OF THE PROFESSIONAL EMPLOYEES OF LIMITED OFFICIAL USE

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EGYPTAIR, WITH FINANCIAL BACKING FROM SAUDI SOURCES, PLANNED FORM NEW AIRLINE, WHICH WOULD BE PRIVATE-SECTOR RIVAL TO EGYPTAIR. AMBASSADOR NOTED THAT WE HAD HAD REPORTS ABOUT EGYPTAIR PARTICIPATING IN FORMATION OF A CARGO LINE AND ABOUT RESTRUCTURING OF EGYPTAIR ITSELF THROUGH SELLING SHARES IN COMPANY TO PUBLIC, BUT WERE NOT AWARE OF PLANS FOR AN ENTIRELY NEW AIRLINE. AMBASSADOR EXPRESSED DOUBT ABOUT LIKELIHOOD THAT GOE WOULD APPROVE SUCH A VENTURE.

6. COMMENT: U.S. AIRCRAFT MANUFACTURERS CONTINUE EXPRESS GREATEST INTEREST IN MAKING WIDE-BODIED SALE TO EGYPTAIR. FIRMS CLEARLY BELIEVE THEY ARE UNLIKELY HAVE MUCH CHANCE OF SUCCEEDING WITHOUT EX-IM BANK SUPPORT FOR FINANCING ON TERMS ACCEPTABLE TO GOE. EILTS

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